

**Minutes of the Audit, Risk and Compliance Committee Meeting**

**Tuesday, December 1, 2020**

*Meeting held via Microsoft Teams with Livestream Access*

**Attendees:**

**Audit, Risk and Compliance Committee Members and Designees:**

Senator John DiSanto  
Lloyd Ebright, Designee for Treasurer Joseph Torsella  
Charles Erdman, Designee for Senator DiSanto  
Representative Dan Frankel  
Dan Ocko, Designee for Representative Frankel  
Patrick Shaughnessy, Designee for Representative Frankel  
Mary Soderberg  
Gregory Thall  
Committee Chair Treasurer Joseph Torsella

**Other Board Members and Designees:**

Glenn Becker  
James Bloom, Designee for Secretary Richard Vague  
Susan Boyle, Designee for Representative Tobash  
David Fillman  
Alan Flannigan, Designee for Secretary Richard Vague  
Gregory Jordan  
Toni Marchowsky, Designee for Senator Vincent Hughes  
Representative Michael Tobash  
Jill Vecchio, Designee for Representative Tobash

**SERS Staff:**

Rose Agnew  
Randy Albright  
Kelly Bernhard  
Michele Crow  
Tom Derr  
Randy Gilson  
Pam Hile  
Christopher Houston  
Seth Kelley  
Dan Krautheim

Karen Lynn  
N. Joseph Marcucci  
Katie Mathews  
Ryan McCoy  
Jeff Meyers  
Sara McSurdy  
Terrill J. Sanchez  
Joseph Torta

### **1. Call to Order**

At 2:40 p.m., Committee Chair Treasurer Torsella called the meeting to order.

**2. Welcome and Roll Call** – Ms. Lynn took roll call noting a quorum was present. She also informed the Committee and Board members that the meeting would be recorded with the exception of executive session discussion.

### **3. Approval of Minutes**

#### **Action 1: Minutes of Committee Meeting – September 29, 2020**

The Committee reviewed and made revisions to the draft minutes of the September 29, 2020, Audit, Risk and Compliance Committee meeting that were originally presented. Approval of the minutes was tabled until the public session at the end of the meeting following the Committee's approval of the revisions.

#### **Motion:**

By motion that was moved by Committee Chair Treasurer Torsella and approved unanimously by Committee members, it was;

RESOLVED: That this Committee approves the meeting minutes, as amended, from the September 29, 2020, meeting.

### **4. Old Business**

#### **Action 1: Conflict of Interest Questionnaire**

Discussion was tabled on the Conflict of Interest Questionnaire until a future meeting.

#### **Action 2: Insider and Personal Trading Policy Amendment**

Mr. Houston reviewed an amendment to the Insider and Personal Trading Policy which the Committee recommended the Board adopt at the September 29, 2020 meeting. The amendment consisted of a revision to the policy for a technical correction to the definition of a "Prohibited Securities List."

**Motion:**

By motion that was moved by Committee Chair Treasurer Torsella and approved unanimously by Committee members, it was;

RESOLVED: That this Committee recommend that the State Employees' Retirement Board adopt the amended Insider and Personal Trading Policy, as attached, with an effective date of January 1, 2021.

**5. Special Presentations****Action 1: KPMG's 2020 Independent Audit Plan and Strategy**

Representatives from KPMG, SERS' independent auditors, presented the audit plan and strategy for their upcoming examination of SERS 2020 books and records. This discussion included the scope and terms of the audit, fees, key areas of risk and focus, and other related matters. The auditors addressed areas of concern posed by the Committee related to confirming only a sample of alternative investment accounts. Specifically, additional audit procedures include a review of due diligence performed on new investments, examination of funds' independently audited financial statements, a pricing desk test of marketable securities, and other procedures to gain comfort with reported fair market values of accounts.

**6. New Business – None****7. Executive Session**

At 3:34 p.m., the Committee then entered into Executive Session to review and discuss committee business which, if conducted in public, would violate a lawful privilege or lead to the disclosure of information that is confidential or protected by law. The topics covered in executive session included:

- Schedule of employer allocations and pension amounts by employer as of December 31, 2019 (GASB 68)
- Independent auditor's required communications to the Audit, Risk and Compliance Committee (Auditing Standard No. 16)
- Update on data loss prevention technology
- Acting Chief Compliance Officer update – quarterly report as of September 30, 2020
- SERS' results of the governor's first annual risk perception survey
- OIT inventory of equipment and review of acquisition and disposition procedures
- Review of investment office staff travel for calendar 2019
- Review of due diligence performed on board approved investments for the period September 2020
- Status on 2020 performance goals for the (1) Internal Audit Director and (2) Acting Chief Compliance Officer

## 8. Committee Meeting Resumes

At 4:12 p.m., the Committee meeting resumed in public session.

## 9. Committee Comments/Concerns/Questions

### **Action 1: Well Wishes to Committee Chair Treasurer Torsella**

Committee members and staff thanked Treasurer Torsella for his leadership on the committee and wished him the best in his future endeavors.

## 10. Motion to Adjourn

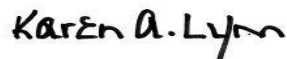
### **Action 1: Adjournment**

#### **Motion:**

By motion that was moved by Committee Chair Treasurer Torsella and approved unanimously by Committee members, it was;

RESOLVED: That this meeting be adjourned at 4:48 p.m.

Respectfully submitted,



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Karen A. Lynn, CPA  
Internal Audit Director

**Policy Name:** Insider and Personal Trading Policy  
**Policy Number:** 2020 POL-BD-01  
**Effective Date:** January 1, 2021  
**Reviewed Date:** September 8, 2020, October 27, 2020  
**Applies To:** Board Members, Designees, and Employees  
**Contact Person:** SERS Legal Office

I. Purpose

It is the general policy of the State Employees' Retirement Board ("Board") that the highest moral and ethical standards shall prevail in the accomplishment of the work of the Board and its employees. The members of the Board serve as trustees of the following:

- A. The State Employees' Retirement Fund ("Retirement Fund"), which consists of all balances in separate accounts set apart and to be used under the direction of the Board for the sole and exclusive benefit for the members ("Members") of the State Employees' Retirement System ("SERS");
- B. The State Employees' Defined Contribution Trust ("401(a) Trust"), which is established as part of the State Employees' Defined Contribution Plan ("401(a) Plan"). The 401(a) Trust is comprised of the individual investment accounts and all assets and money in those accounts, and any assets held by the Board as part of the 401(a) Plan that are not allocated to individual investment accounts established for those state employees who participate in the 401(a) Plan, which the Board administers and manages exclusively for the benefit of the 401(a) Plan participants and their beneficiaries until such time as the funds are distributed to the participants and their beneficiaries in accordance with the 401(a) Plan;
- C. The Deferred Compensation Plan Trust for Officers and Employees of the Commonwealth of Pennsylvania ("457 Trust"), which is established as part of the Fifth Amended and Restated Deferred Compensation Plan ("457 Plan"). The 457 Trust is comprised of all property and rights purchased with compensation deferred under the 457 Plan, all income attributable thereto, and such other monies or assets as are permitted by law to be transferred to the 457 Plan, which the Board administers and manages exclusively for the benefit of the 457 Plan participants and their beneficiaries until such time as the funds are distributed to the participants and their beneficiaries in accordance with the 457 Plan; and
- D. The Benefits Completion Plan ("BPC"), which is a retirement benefit plan within the meaning of, in conformity with and then only to the extent and so long as permitted by IRC §415(m) for the purpose of providing such retirement benefits as would otherwise

have been payable under the State Employees' Retirement Code to annuitants of SERS on or after July 2, 2001, but for the application of the limitations on benefits of IRC §415.

The Board, Board member designees (“Designees”), employees of the Board (each an “Employee”), and its agents (each a “SERS Agent”) stand in a fiduciary relationship to the Members and beneficiaries of SERS, and to the participants and beneficiaries in both the 401(a) Plan and the 457 Plan (hereafter referred to collectively as the “DC Plans”). All business of SERS, the BPC, and the DC Plans is to be conducted in the best interests of the Members, participants in the DC Plans, and their respective beneficiaries, and not for the benefit or profit of any Board members, Designees, Employees, or SERS Agent or to serve the interest of any third party. Board member’s, Designee’s, and Employee’s obligations also include making full and fair disclosure of all relevant facts and any potential or actual conflicts of interest. Board members, Designees, and Employee are to act with loyalty and good faith, and place the interests of the Members, participants in the DC Plans, and their respective beneficiaries before their own. Hereinafter, any reference to SERS shall include a reference to the DC Plans.

Board members, Designees, and Employees are subject to various policies which relate to standards of conduct, some of which are either statutory or promulgated by other Commonwealth entities (“Commonwealth Policies”).

Commonwealth Policies that may apply to an Employee, Board member, and Designee include the following:

- The Pennsylvania Public Official and Employees Ethics Act (65 Pa. C.S. §§1101 *et seq.*), which prohibits a public official or public employee from engaging in “...conduct that constitutes a conflict of interest.” 65 Pa. C.S. §1103(a). A conflict of interest includes using “...any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.” 65 Pa. C.S. §1102.
- The Governor’s Code of Conduct (4 Pa. Code §7.151 *et seq.*), which provides that an employee, appointee or official in the Executive Branch of the Commonwealth shall not:
  - (1) Engage directly or indirectly in business transactions or private arrangement for profit which accrues from or is based upon his official position or authority.
  - (2) Participate in the negotiation of or decision to award contracts, the settlement of claims or charges in contracts, the making of loans, the granting of subsidies, the fixing of rates, or the issuance of permits, certificates, guarantees or other things of value to, with or for an entity in which he has a financial or personal interest.

4 Pa. Code §7.151.

The Governor's Code of Conduct further provides that:

No employe[e], appointee or official in the Executive Branch of the Commonwealth may represent or act as agent for a private interest, whether for compensation or not, in a transaction in which the State has a direct and substantial interest and which could be reasonably expected to result in a conflict between a private interest of the official or employe[e] and his official State responsibility.

4 Pa. Code §7.152.

Board members who are members of the General Assembly and their Designees are subject to the Legislative Code of Ethics (46 P.S. §§143.1 *et seq.*), which provides that no member shall:

- (1) Accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.
- (2) Improperly disclose confidential information required by him in the course of his official duties nor use such information to further his personal interests,
- (3) Use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

As a general policy, a Board member, Designee and Employee shall comply with all laws and regulations, including the Commonwealth Policies, applicable to the business of SERS. On March 6, 2008, the Securities and Exchange Commission issued a *Report of Investigation Pursuant to Section 21 (e) of the Securities Exchange Act of 1934*, Release No. 57446 (March 6, 2008). Then-SEC Chair Christopher Cox said, "While public pension funds are exempt from most of the federal securities laws governing money managers, they are not exempt from important anti-fraud provisions that prohibit insider trading and other manipulative and dishonest behavior that threatens the integrity of the market."

Moreover, members of professional organizations that promulgate standards of conduct are subject to those professional standards, as applicable. For example, members of the Chartered Financial Analyst Institute (the "CFA Institute") who are responsible for the Board's investment decisions or who are involved in the management of SERS' assets shall be governed in their personal investment activities by the Standards of Professional Conduct established by the CFA Institute and applicable State statutes, and shall sign a yearly affirmation of compliance with the Code of Ethics of the CFA Institute.

To preserve the value of integrity and applicable laws and regulations, the Board adopts this Insider and Personal Trading Policy (this "Policy") to create safeguards against the misuse of insider information (as defined below).

Each Board member, Designee, and Employee who is covered by this Policy is required to be familiar with this Policy and adhere to it. Strict adherence to this Policy is mandatory, and any questions should be discussed with the Employee's supervisor, the Chief Counsel, Executive Director, and/or Chief Compliance Officer of SERS. Violations of this Policy may lead to disciplinary action for Employees up to and including termination.

Although strict adherence to the specific requirements of this Policy is mandatory, this Policy cannot and is not intended to address all circumstances that may arise. Every Board member, Designee, and Employee must perform their duties in a manner designed to minimize even the appearance of impropriety or a conflict of interest. This Policy is intended to demonstrate to stakeholders and the general public that each Board member, Designee, and Employee is dedicated to transparency, accountability, and the highest ethical behavior, and that adequate controls are in place to ensure compliance with all legal, regulatory, and policy requirements.

## II. Coverage

This Policy applies to: (i) each Employee who holds any of the "SERS Covered Employee Positions" identified in Exhibit A (SERS Covered Employee Positions) attached to this document; each such Employee will be referred to herein as a "Covered Employee" or the "Covered Employees;" and (ii) Board members and Designees. Covered Employees are those Employees, who have access to material, non-public information ("MNPI") about proposed trading, trading strategies or holdings of SERS and includes individuals involved in recommending or making investment decisions, or who have access to systems containing Confidential SERS Investment-Related Information, as hereinafter defined. Covered Employees also include those working with or in close proximity to an Employee involved in decision-making and who regularly have the opportunity to see MNPI written information or hear MNPI discussions relating to SERS' previous, current and/or potential investments.

The insider trading and front running prohibitions established in this Policy continue to apply to Board members, Designees, and Covered Employees who are in possession of MNPI or Confidential SERS Investment-Related Information even after: (i) termination of employment for Employees, or (ii) a Board member's or Designee's position on the Board ceases, until such time, if ever, that such MNPI information or Confidential SERS Investment Related Information becomes generally available to the public other than through the direct or indirect actions of the Board member, Designee, or Covered Employee.

## III. Definitions

The following terms when used in this Policy shall have the meanings set forth below:

- A. "Confidential SERS Investment-Related Information" shall mean any confidential and/or proprietary commercial and/or financial information relating to SERS investments in any asset class, investment management practices and/or



investment strategies that is not generally available to the public, the disclosure of which would be detrimental to SERS' investments or potential investments or to the party to which the information pertains.

- B. "Exempt Transactions" shall mean transactions in any of the following:
1. direct obligations of the U.S. government (*e.g.*, Treasury securities);
  2. bankers' acceptances, bank certificates of deposit, commercial paper, and high-quality short-term debt obligations, including repurchase agreements;
  3. shares issued by money market funds;
  4. shares issued by open-end mutual funds;
  5. shares of closed-end funds and exchange-traded funds;
  6. options on index-replicating exchange-traded funds;
  7. normal dividend reinvestment plans limited to the periodic reinvestment of the dividend amount. Note: Additions of capital to a dividend reinvestment plan are reportable;
  8. investment transactions in the DC Plans, excluding, however, Personal Securities Transactions in self-directed brokerage accounts that are not otherwise exempt;
  9. investment transactions in 529 plans (established pursuant to 26 U.S.C. §529) and the Pennsylvania ABLE Savings Program (established pursuant to 72 P.S. §4666.101 *et seq.*);
  10. purchases of securities by an exercise of rights issued to the holders of a class of securities pro rata, to the extent those rights are issued with respect to securities of which a Covered Employee or Related Parties have beneficial ownership;
  11. acquisitions or dispositions of securities as a result of a stock dividend, stock split, reverse stock split, merger, consolidation, spin-off or other similar corporate action distributions or reorganization applicable to all holders of a class of securities of which you have beneficial ownership;
  12. investment transactions in blind trusts;
  13. broker controlled or investment advisor-controlled transactions;

14. investment transactions resulting from automated rebalancing; and

15. currency transactions.

- C. “Personal Securities Transaction” shall mean a discretionary transaction involving the purchase or sale of a security in which a Board member, Designee, or Covered Employee, or any Related Party, had or gained, directly or indirectly, a pecuniary interest, and in which the Board member, Designee, or Covered Employee or any Related Party had influence or control, directly or indirectly, over the timing of such transaction. Exempt Transactions shall not be considered a Personal Securities Transaction.
- D. “Prohibited Securities List” shall mean a restricted list of companies for which trading of public securities by Board members, Designees, and Covered Employees is restricted.
- E. “Related Party” shall mean a spouse, domestic partner, dependent child, and other related persons of the Board member, Designee, or Covered Employee residing in the same household as a Board member, Designee, or Covered Employee.

#### IV. Prohibition on Insider Trading; Confidentiality of Insider Information

This Policy is intended to prohibit “insider trading.” Board members, Designees, and Covered Employees may be provided or have access to Confidential SERS Investment-Related Information, which might include MNPI about a company. Any Confidential SERS Investment-Related Information not publicly available must be treated as confidential by Board members, Designees, and Covered Employees even if it is not designated as confidential. Neither MNPI about publicly traded companies acquired through SERS, nor Confidential SERS Investment-Related Information may be used by Board members, Designees, or Covered Employees for personal gain or to benefit any third party, including without limitation Related Parties or friends. In addition, Board Members, Designees, and Covered Employees may not undertake Personal Securities Transactions to which such information pertains. If there is uncertainty about whether a piece of information is Confidential SERS Investment-Related Information or constitutes MNPI, Board members, Designees, and Covered Employees should consult with the Chief Compliance Officer.

Federal, state and foreign securities laws, rules and regulations regarding “insider trading” are constantly changing. The description of “insider trading” below should be used merely as guidance. Board members, Designees, and Covered Employees are encouraged to consult with SERS’ Chief Compliance Officer when attempting to apply such laws, rules and regulations to specific circumstances.

### Insider Trading

“Insider trading” is not defined in the securities laws, but the term is used broadly to refer to buying or selling securities on the basis of MNPI relating to those securities. Any person who possesses MNPI is considered an “insider” as to that information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person (such as the Board in regard to an Employee) who is responsible for taking steps to implement policies to prevent insider trading. It has also been extended to “tippees” who receive MNPI from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit, and the “tippee” knows or has reason to know of the breach. Liability also has been extended to employees who trade securities based on MNPI they misappropriated from their employer (such as a Covered Employee making a Personal Securities Transaction based on insider information it obtained as an Employee). The law provides civil and criminal penalties for insider trading violations.

### Material Information

What constitutes “material” is determined by examination of all of the facts and circumstances; however, it is generally such information that would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding that company's securities. Common examples of “material information” include, but are not limited to: (i) financial results and projections, (ii) news of a merger or acquisition, (iii) stock splits, (iv) public or private securities/debt offerings, (v) changes in dividend policies or amounts, (vi) gain or loss of a major customer or supplier, (vii) major product announcements, (viii) significant changes in senior management, (ix) a change in accounting policies, (x) actions of regulatory agencies, and (xi) major problems or successes of the business.

### Non-public Information

“Non-public” information is information that has not achieved broad dissemination to the investing public generally, typically through a press release or filing with the U.S. Securities and Exchange Commission. Information may be considered “non-public” despite early or preferential disclosure to Board members, Designees, and Covered Employees or financial analysts in the investment industry. Board members, Designees, and Covered Employees should exercise special caution with information provided to SERS pursuant to a non-disclosure or confidentiality agreement or information that has been expressly or impliedly designated as confidential by the provider of the information. Further, Board members, Designees, and Covered Employees must also exercise caution with information that has been provided to SERS if the person receiving the information knows or should know that the provider of the information received the information in confidence. Questions regarding non-disclosure or confidentiality agreements should be addressed to the SERS Legal Office. After the information becomes public, it loses its status as “insider” information.

Board members, Designees, and Covered Employees must regard MNPI about publicly traded securities as highly confidential and use information barriers to protect the confidentiality of such information. Further, such information shall not be shared with any other individual, without the written approval of the Chief Counsel and the Chief Compliance Officer. Board members, Designees, and Covered Employees in possession of MNPI also must take proactive steps to preserve the confidentiality of that information and prevent its intentional or inadvertent disclosure.

Federal and state securities laws generally prohibit SERS from trading in a security while in possession of MNPI related to the traded security or issuer. The federal securities laws, however, permit institutional investors to trade while one or more of its employees possesses MNPI if the individual or group of individuals making the investment decision on behalf of the institutional investor is not aware of that information.

Further, the institutional investor must have implemented reasonable policies and procedures that ensure that the individual or group of individuals making an investment decision on behalf of the institutional investor is not aware of MNPI related to that investment decision.

#### Prohibited Securities List and Information Barriers

Any Covered Employee who believes that he or she has obtained MNPI, whether obtained through their employment with SERS or otherwise, must communicate such information and the circumstances surrounding the Employee's acquisition of MNPI to the Chief Compliance Officer or his or her designee.<sup>1</sup> Upon notification of a Covered Employee's acquisition of such information, the Chief Compliance Officer will promptly review and reach a determination as to whether the information received is MNPI under applicable laws and regulations; such determination shall be documented in writing to the Covered Employee providing such information (the "Insider Person"). It is not contemplated that Board members or Designees would regularly receive MNPI; however, Board members and Designees shall notify the Chief Compliance Officer if they do come into possession of MNPI other than from Employees and, in such event, they are deemed to be an Insider Person. If the information is determined to be MNPI:

- An Insider Person may not use or disclose MNPI with any other individual, including without limitation Related Parties or friends, (i) whether or not obtained as a result of their position as a Board member or Designee or employment with SERS (including information obtained from Advisory Board meetings or materials, regardless of whether such information is received by the Board

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<sup>1</sup> In the event the Chief Compliance Officer has obtained MNPI to be communicated and reviewed, he/she is to communicate such information to the Chief Counsel and the Chief Counsel shall: (i) solely determine whether the information is MNPI, the use or disclosure of the MNPI, and if any other information barriers or other actions are warranted; (ii) direct the Chief Investment Officer to add the security to the Prohibited Securities List; and/or (iii) monitor the security as to its continuing MNPI status.

member, Designee, or Covered Employee directly or indirectly), and (ii) not available to the general public, in connection with the direct or indirect purchase or sale of a security, without the approval of the Chief Compliance Officer. Such approval shall be documented in writing.

- The Chief Compliance Officer shall add the security to the Prohibited Securities List. It is anticipated that, with the use of external investment managers, the Prohibited Securities List may contain few or no securities since manager reporting of transactions and Insider Person knowledge typically occurs after the fact.
- The Chief Compliance Officer shall promptly establish an “information barrier” by informing the Insider Person that they may not participate, directly or indirectly, in investment decisions regarding the security on behalf of SERS, themselves, or others. The Chief Compliance Officer will further advise the Insider Person that the MNPI is to be disclosed solely upon the written approval of the Chief Compliance Officer. The Chief Compliance Officer will further advise the Insider Person, who shall adhere to such advice, that they should take the following precautions to protect the integrity of the information barrier and the confidentiality of the MNPI:
  - Do not discuss confidential information in public places such as elevators, hallways, or social gatherings;
  - To the extent practical, limit access to areas of SERS where confidential information can be observed or overheard to individuals with a business need for being in the area;
  - Avoid using speaker phones to discuss or receive confidential information;
  - Where appropriate, use code names or numbers for confidential projects;
  - If feasible, excuse persons involved in making investment decisions in securities on behalf of SERS from meetings or portions of meetings where confidential information is discussed; and
  - Avoid placing documents (including electronic documents) with confidential information in places where they may be read by unauthorized persons and store such documents in secure locations.

If there is a need for disclosure of MNPI related to a particular security to an Employee who is not an Insider Person with regard to that Security, the disclosing Insider Person shall promptly inform the Chief Compliance Officer. The Chief Compliance Officer shall promptly provide the new Insider Person with the information and advice described above and establish an information barrier as described above. In the event of an inadvertent disclosure of MNPI to an Employee who was not an Insider Person with regard to a particular security, the Chief Compliance Officer shall be promptly informed of the disclosure by the Insider Person who is responsible for protecting the MNPI and/or by the Employee who

received the disclosed information. The Chief Compliance Officer shall promptly establish an information barrier as described above.

- The Chief Compliance Officer shall monitor the security put on the Prohibited Securities List due to MNPI.
- The Chief Compliance Officer shall be responsible for determining when the MNPI no longer meets the definition of material, non-public information and will remove the information barrier or trading restrictions accordingly.

#### V. Front Running Prohibition

The following description should be used merely as guidance on what constitutes “front running.” Like insider trading, “front running” may subject Board members, Designees, or Covered Employees to criminal and/or civil proceedings. Front running involves doing a trade of securities with advance knowledge of pending orders from SERS or another investor. It could occur, for example, when any Board member, Designee, or Covered Employee trades, or facilitates trading by a third party, with the knowledge that a trade is pending on behalf of SERS.

Front running may also constitute a misappropriation of SERS’ proprietary information for private or personal gain, in violation of policies governing SERS’ standards of behavior. Accordingly, front running by Board members, Designees, and Covered Employees is prohibited.

Board members, Designees, and Covered Employees may not commit to placing an order for a Personal Securities Transaction when they have advance knowledge that a securities transaction being made by a third-party on behalf of SERS (“SERS Transaction”) is pending in a security of the company that is the subject of the Personal Securities Transaction. The Board member, Designee, or Covered Employee shall not transact a Personal Securities Transaction in the security: (i) during the period of time (“Blackout Period”) three (3) business days prior to the SERS Transaction in that security is executed, unless the commitment to place an order to transact occurred before they had knowledge of the SERS Transaction and more than three (3) business days prior to the SERS Transaction in that security, and must wait until three (3) business days after the SERS Transaction is executed before placing an order for a Personal Securities Transaction involving securities of the same company, unless the commitment to place an order to transact occurred before they had knowledge of the SERS Transaction and more than three (3) business days prior to the SERS transaction in that security, or (ii) if the Board member, Designee, or Covered Employee is aware of MNPI regarding such asset.

Similarly, Board members, Designees, and Covered Employees may not knowingly delay, hinder, modify, or cancel any SERS Transaction with the intent of facilitating a Personal Securities Transaction.

VI. Compliance, Implementation, and Enforcement

The Chief Compliance Officer will be responsible for developing and maintaining formal procedures, including any requisite forms, needed for compliance with this Policy.

A. Annual Acknowledgement Form

A copy of this Policy shall be provided to each Board member, Designee, and Covered Employee. To assure compliance with this Policy, Board members, Designees, and Covered Employees are required to familiarize themselves with this Policy. The Chief Compliance Officer will provide training on this Policy for all Board members, Designees, and Covered Employees to which the Policy applies. To acknowledge their understanding of and intent to comply with this Policy, each Board member, Designee, and Covered Employee will be required within thirty (30) days of the adoption of this Policy or, (i) in the case of Covered Employees, thirty (30) days of hire for new employees or of transition from a non-Covered Employee position with SERS to a Covered Employee position, and (ii) for new Board members and Designees, prior to their commencement of service on the Board, and annually thereafter on or before May 1, to execute an acknowledgement form (“Acknowledgement Form”), substantially in the form attached hereto as Exhibit B, which shall include an acknowledgment that failure to act in conformance with this Policy may, for Covered Employees, lead to disciplinary action up to and including termination. For Covered Employee’s, the original of the Acknowledgement Form will be retained in a Covered Employee’s personnel file, with a copy provided to the Chief Compliance Officer. For Board members and Designees, the original of the Acknowledgement Form will be retained by the Chief Compliance Officer.

B. Board member’s, Designee’s, and Covered Employee’s Personal Securities Transactions

Board members, Designees, and Covered Employees must comply with the following Personal Securities Transactions restrictions:

1. A Board member, Designee, and Covered Employee may not undertake a Personal Securities Transaction of a security that is included on the Prohibited Securities List, which are those securities directed to be placed on the list by the Chief Compliance Officer pursuant to Section IV of this Policy. The Prohibited Securities List will be developed and maintained by the Chief Compliance Officer and/or his or her designee and will be available to Board members, Designees, and Covered Employees on an access-controlled repository (“List Repository”). The Chief Compliance Officer or his or her designee shall maintain the List Repository as follows:

a. Upon an addition to or removal of a security from the Prohibited Securities List, the Chief Compliance Officer or his or her designee shall provide notice via email to Board members, Designees, and Covered Employees of the addition or

removal.

b. The Prohibited Securities List shall include the date a security was added to (“Date Added”) or removed from (“Date Removed”) the list and shall set forth the date upon which the list was revised (“Revision Date”).

c. A Personal Securities Transaction of a security on the Prohibited Securities List is prohibited until the Date Removed.

The Prohibited Securities List shall be maintained confidentially on the List Repository, with access limited to Board members, Designees, Covered Employees, Internal Audit, Chief Counsel, and the Chief Compliance Officer and his or her designee, and such other persons as the Chief Compliance Officer shall authorize in writing. Board members, Designees, and Covered Employees may not tip or disclose the Prohibited Securities List to others, including other SERS Employees, unless the recipient is duly authorized to receive this information and upon receipt of written approval from the Chief Compliance Officer.

This provision is not intended to be punitive. If a Board member, Designee, or Covered Employee currently holds a position at the time it is placed on the Prohibited Securities List, the Board member, Designee, and Covered Employee may submit a written request to the Chief Compliance Officer or his or her designee for permission to liquidate that position. The written request shall include the reasons justifying the liquidation request. The Chief Compliance Officer or his or her designee shall promptly review the liquidation request and issue a written determination to the Covered Employee.

2. No Covered Employees will engage in any trading activity that interferes with their job responsibilities.

C. Transaction Report

Except as otherwise provided in this section, each Board member, Designee, and Covered Employee shall file annually with the Chief Compliance Officer a transaction report on the form attached hereto as Exhibit C (“Transaction Report”), which shall either: (i) certify that the Board member, Designee, or Covered Employee did not have any Personal Securities Transactions (including Personal Securities Transactions known to a Board member, Designee, or Covered Employee of his or her Related Parties) for the prior year in any securities on the Prohibited Securities List, or (ii) list Personal Securities Transactions (including Personal Securities Transactions known to a Board member, Designee, or Covered Employee of his or her Related Parties) for the prior year of any securities included on the Prohibited Securities List, along with any statements or other supporting documentation requested by the Chief Compliance Officer for transactions engaged in during the prior year. The Chief Compliance Officer shall file his/her



Transaction Report with the Chief Counsel, along with any statements or other supporting documentation requested by the Chief Counsel. The due date for filing the Transaction Report, with respect to Personal Securities Transactions during the prior calendar year, shall be May 1 of each year that a Covered Employee is employed at SERS or a Board member or Designee holds such a position and of the year after a Covered Employee leaves SERS employment or the Board member or Designee vacates the position.

Exempt Transactions are excluded from the reporting requirements. In the event no securities are included on the Prohibited Securities List at any point in time during a calendar year, the Chief Compliance Officer or his or her designee shall provide notice via email to the Board member, Designee, and Covered Employees at the end of the calendar year that Transaction Reports are not required to be filed for the prior year.

After review by the Chief Compliance Officer or Chief Counsel, as applicable, is completed, the Transaction Reports and any statements or other supporting documentation submitted will be given to SERS Human Resources to file with the Covered Employee's personnel file. Transaction Reports of Board members and Designees shall be retained by the Chief Compliance Officer.

D. Application of Right-to-Know Law

Under the Right-to-Know Law, Act of February 14, 2008, P.L. 6, 65 P.S. §§67.101-67.3104, Transaction Reports and any statements or other supporting documentation submitted are "personal financial information" and exempt from access by a requester pursuant to 65 P.S. §67.708(b)(6)(i)(A).

VII. Additional Information

This Policy should be read in conjunction with any applicable federal and state laws, rules and regulations, as well as other Commonwealth Policies. If this Policy imposes different or greater obligations than those imposed therein, then the requirements of this Policy are deemed to be in addition to and not in conflict with such other obligations. Any questions regarding the application of multiple requirements should be addressed to the Chief Compliance Officer.

**Document Properties**

- a. **Document Owner:** SERS Legal Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

<b>Date</b>	<b>Version</b>	<b>Author</b>	<b>Summary</b>
September 8, 2020	2020 POL- BD-01	SERS Legal Office	Policy established to create safeguards against the misuse of insider information.
October 27, 2020		SERS Legal Office	Revised definition of "Prohibited Securities List"

**Exhibit A - SERS COVERED EMPLOYEE POSITIONS**

**INSIDER AND PERSONAL TRADING  
POLICY**

- A. All Investment Office Personnel
- B. All Executive Office Personnel
- C. All Internal Audit Division Personnel
- D. All Communications and Policy Office Personnel
- E. Office of Finance and Administration
  - a. Chief Financial Officer
  - b. Assistant Chief Financial Officer
  - c. All Investment Control Division Personnel
  - d. All Compliance and Quality Control Division Personnel
  - e. All General Accounting, Deferred Compensation Program, and Defined Contribution Plans Division Personnel (excluding the General Accounting section)
- F. All Legal Office Personnel
- G. Office of Member and Participant Services
  - a. Director of Office of Member and Participant Services
- H. Human Resources Division
  - a. Human Resources Director
- I. Office of Information Technology
  - a. Chief Information Officer
  - b. Chief Information Security Officer
  - c. Director of Applications Division
  - d. Director of Technical Support Division
  - e. Director of Database Administration Division

**Exhibit B – ACKNOWLEDGEMENT FORM**

**INSIDER AND PERSONAL TRADING  
POLICY**

I hereby acknowledge that:

1. I have read and understand the Insider and Personal Trading Policy (“Policy”) and agree to adhere strictly to the Policy.
2. I have had the opportunity to speak with and ask questions to the Chief Compliance Officer about any provisions of the Policy that are unclear to me.
3. If I am a SERS employee, I further understand that failure to act in strict conformance with the Policy may lead to disciplinary action up to and including termination.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit C**

**TRANSACTION REPORT  
INSIDER AND PERSONAL TRADING POLICY**

In accordance with the Insider and Personal Trading Policy (2020 POL-BD- ) (the “Policy”), for each year where securities are included on the Prohibited Securities List, you must either: (i) certify that you did not have any Personal Securities Transactions (including Personal Securities Transactions known to you of your Related Parties) for the prior year in any securities on the Prohibited Securities List, or (ii) list Personal Securities Transactions (including Personal Securities Transactions known to you of your Related Parties) for the prior year of any securities included on the Prohibited Securities List, along with any statements or other supporting documentation requested by the Chief Compliance Officer for transactions engaged in during the year.

This report must be submitted on this form to the Chief Compliance Officer annually, no later than May 1, with respect to Personal Securities Transactions during the prior calendar year. Capitalized terms used but not defined in this form have the meanings given to them in the Policy.

1. Name: \_\_\_\_\_

2. Job Title: \_\_\_\_\_

3. Reporting Period: 20\_\_\_\_

**Check ONE of the two boxes below and Sign where applicable:**

I certify that during the calendar year specified above, there were no reportable Personal Securities Transactions engaged in by me or any reportable Personal Securities Transactions known to me of my Related Parties in any securities on the Prohibited Securities List.

Signature:

\_\_\_\_\_

Printed Name:

\_\_\_\_\_

Date:

\_\_\_\_\_



I certify that this report constitutes all of the reportable Personal Securities Transactions engaged in by me or any reportable Personal Securities Transactions known to me of my Related Parties in any securities on the Prohibited Securities List during the calendar year specified above

Signature:

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Printed Name:

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Date:

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